

U.S. Army

A-123 Update

Briefing for: 2nd Quarter FY 2006 CFO
Strategic Plan In-Process Review

April 27, 2006



Agenda

- Background
- Internal Controls Over Financial Reporting
- FY 2006 Approach
- OUSD(C) Required Deliverables
- Impacts to Management Control Administrators (MCA)



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Background

- Revision to OMB Circular A-123 effective beginning in FY 2006
- Appendix A requires a Statement of Assurance Over Financial Reporting
- OUSD(C) guidance released on November 8, 2005. Focus areas:
 - Appropriations Received
 - Fund Balance with Treasury
 - Investments
 - Real Property
 - Military Equipment
 - Environmental Liabilities
 - Federal Employees Compensation Act (FECA)



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Internal Controls Over Financial Reporting

- Army must evaluate the internal controls over financial reporting (ICOFR) for each focus area

- Objectives of internal control
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws and regulations

Effective internal control over financial reporting provides reasonable assurance that misstatements, losses, or noncompliance with applicable laws and regulations, material in relation to financial reports, would be prevented or detected



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Internal Controls Over Financial Reporting

- Controls must provide reasonable assurance that the financial reporting process is reliable

- Management assertions:
 - Existence or occurrence
 - Completeness
 - Rights and obligations
 - Valuation or allocation (accuracy)
 - Presentation and Disclosure



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FY 2006 Approach

- Heavily reliant on DFAS-Indianapolis and DFAS field sites, including Rock Island, Rome, St. Louis, Orlando, Lawton, Rock Island
- Assistant Chief of Staff Installation Management (ACSIM) supporting real property and environmental liabilities



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OUSD(C) Required Deliverables

| Deliverable | Due Date |
|--|------------------------------------|
| Process narratives, flow charts, and organizational charts for focus areas | Complete. Due December 20, 2005 |
| Risk analysis for focus areas | Complete. Due February 1, 2006 |
| List of internal controls and test plan methodology for focus areas | Complete. Due March 20, 2006 |
| Test plans | May 1, 2006 |
| Internal control review report and control analysis | June 30, 2006 |
| Corrective action plans | June 30, 2006 |
| Statement of Assurance on Internal Controls over Financial Reporting | September 1, 2006 |



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Impacts to Management Control Administrators (MCA)

- For FY 2006 reporting, installation and major command level reporting will not likely be impacted much since the focus is on limited areas; deliverables are at a high level. There might be a requirement for:
 - Additional verbiage in annual statement of assurance
 - Additional area of review for AAA
- For future years, will likely see a return to more detailed control checklists with risk analyses
- Will likely lead to a need to revise management control plans (MCP)



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